

LIFE IN THE UK

Ned Cazalet
Cazalet Consulting

WHAT WE DO

Client Base

- Life Offices
- Reinsurers
- Banks & Building Societies
- Investment Banks
 - M&A/Equity Research/Quants
- Fund Managers
- Private Equity
- Consulting Actuaries & Other Professional Firms
- HM Treasury
- Member of FSA's With Profits Panel

Coverage

- Life
- Pensions
- Fund Management
- Retail Banking (In Part)
- 80 Life Office Groups
 - 300+ Interviews Annually
 - All Returns Read/Analysed

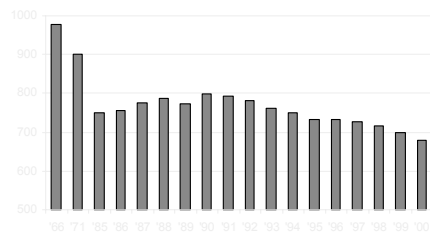
Perspective

- Fundamentals
- Medium Term
- 3-5 Years
- Not Focused on Share Price
 - Big Winners
 - Big Losers
 - Micro/Macro Trends

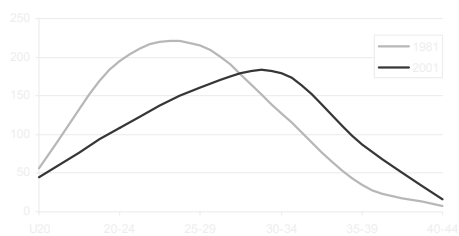
WHAT YOU DO...

WHAT YOU DO... THE PEOPLE BUSINESS

No Sex Please We're British... Live Births ('000 - UK)



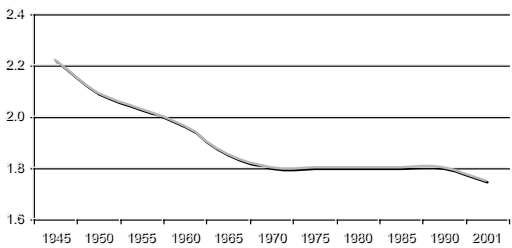
Births by Age of Mother ('000)



Fertility Rates (UK)

Fertility rates by age of mother at childbirth in the UK: live births per 1,000 women						
Age band	1961	1971	1981	1991	1997	1998
15-19	37	50	28	33	30	31
20-24	173	154	107	89	75	74
25-29	178	155	130	120	105	102
30-34	106	79	70	87	89	90
35-39	51	34	22	32	39	40
40+	16	9	5	5	7	8
All 15-44	91	84	62	64	60	59

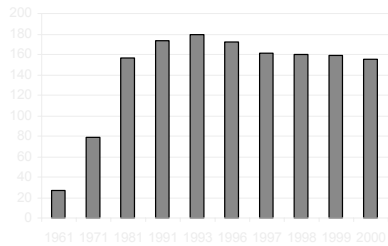
Assumed Average Number of Children



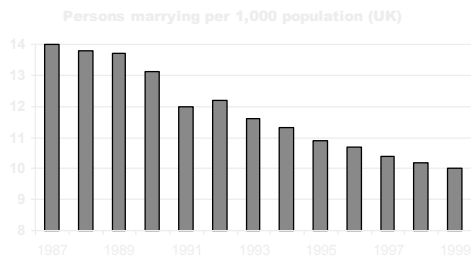
UK Population Mix



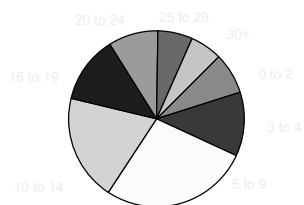
D-I-V-O-R-C-E (Per '000 Population)



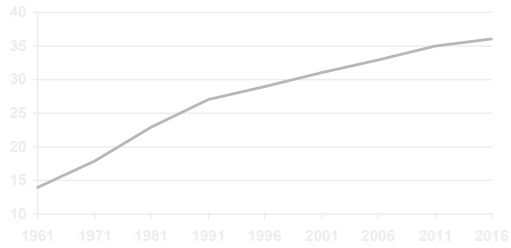
Marriages (Per '000 Population)



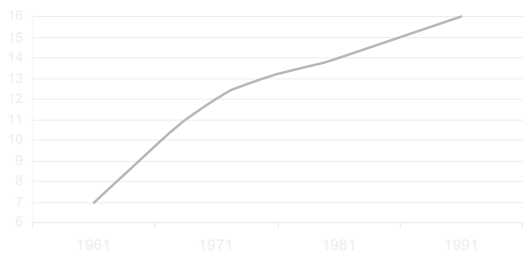
The Seven Year Itch Divorce by Duration of Marriage



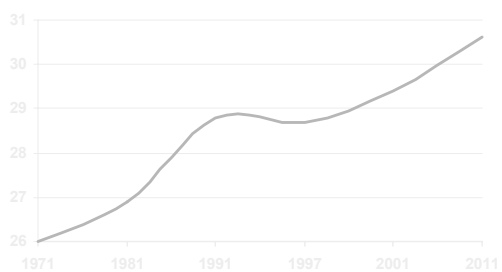
One Person Households (%)



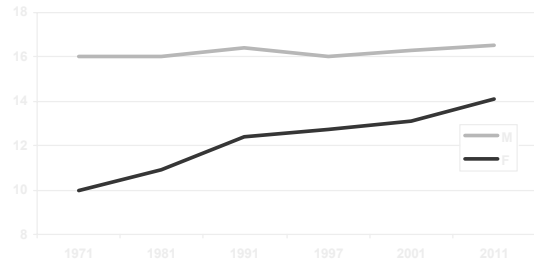
One Person Households of Pensionable Age (%)



UK Workforce (m)

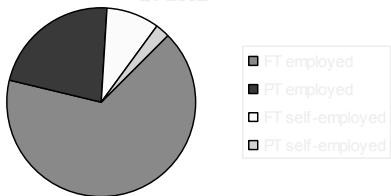


Labour Force by Gender (m)

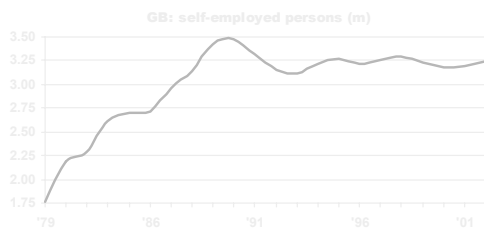


UK Workforce Breakdown

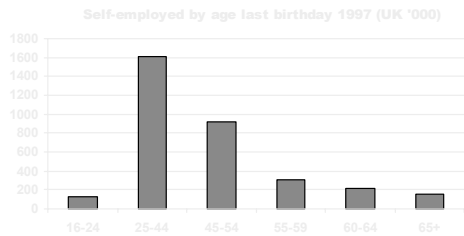
Breakdown of active UK workforce -
Q1 2002



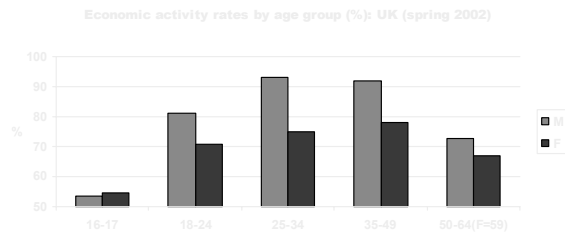
Self-Employed



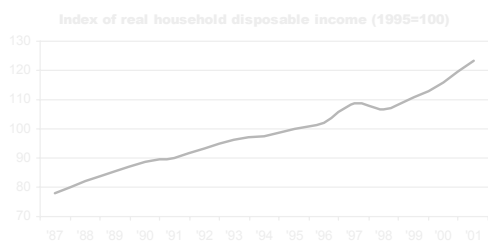
Self-Employed by Age



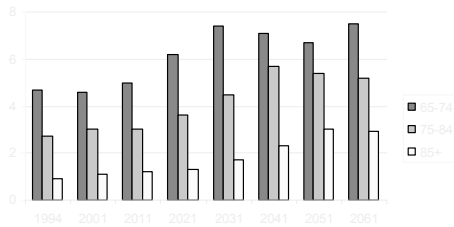
Economic Activity by Age



Household Disposable Income



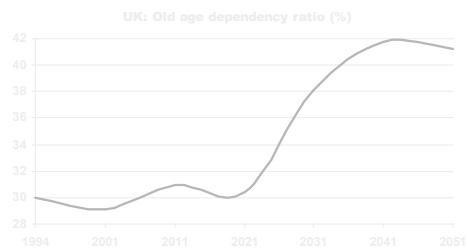
Over 65s (m)



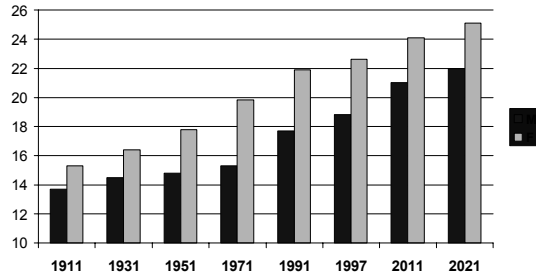
Very, Very Old

Actual and projected numbers of persons at high ages ('000)						
Year	80-89		90-99		100+	
	M	F	M	F	M	F
1911	74.8	122.3	4.3	9.3	0.0	0.1
1921	88.2	157.7	4.3	10.8	0.0	0.1
1931	112.4	203.9	5.4	14.4	0.0	0.1
1941	150.0	272.8	6.4	18.6	0.0	0.1
1951	224.9	406.5	10.7	31.5	0.0	0.3
1961	285.9	582.4	16.3	50.0	0.1	0.5
1971	305.2	733.1	24.8	86.1	0.2	1.1
1981	356.4	908.0	28.8	119.0	0.3	2.0
1991	543.0	1,161.0	45.0	178.0	1.0	4.0
2001	637.0	1,245.0	83.0	292.0	1.0	9.0
2011	760.0	1,297.0	115.0	367.0	3.0	19.0
2021	918.0	1,334.0	158.0	415.0	5.0	30.0
2031	1,259.0	1,812.0	243.0	494.0	8.0	37.0

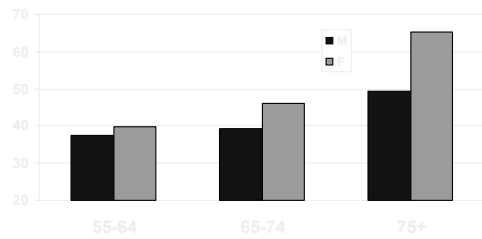
Old Age Dependency Ratio



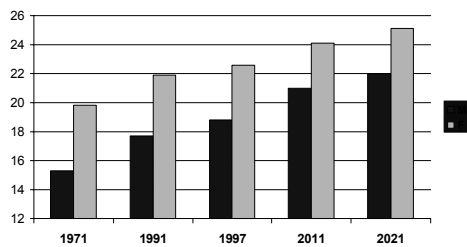
Life Expectancy at Age 60 (Remaining Years)



Days of Impairment Per Year By Age



Life Expectancy At Age 60 Tom Jones is 62!



Healthy Life Expectancy

Life expectancy and health life expectancy in 1999 (GB)				
Sex	Age	LE	HLE (good or fairly good health)	HLE (free from LLI)
Males	At birth	75.1	66.6	60.4
	At age 65	15.4	11.6	8.8
Females	At birth	80.0	68.9	62.3
	At age 65	18.7	13.1	9.8

Restricted Activity

Days of restricted activity per person per household (2000): GB			
Gender/age	45-64	65-74	75+
Male	40	57	68
Female	42	58	76

Chronic Sickness

Chronic sickness: rate per 1,000 reporting selected longstanding conditions by age and sex in 2000 (GB)						
Condition/ gender and age	Males			Females		
	45-64	65-74	75+	45-64	65-74	75+
Musculoskeletal	187	232	217	208	301	368
Heart and circulatory	158	329	311	117	262	366
Respiratory	52	95	116	60	35	58
Digestive	52	43	51	48	57	69
Endocrine and metabolic	61	88	84	66	91	79
Nervous	34	23	38	39	31	30

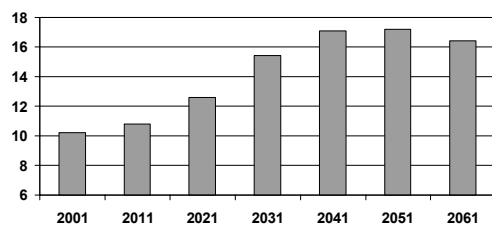
Institutional Care

Proportion of the population receiving institutional care in 1996	
Age	Proportion
Under 65	1 in 2000
65 to 74	1 in 100
75 to 84	1 in 20
Over 85	1 in 4

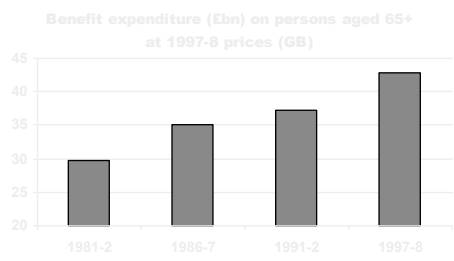
NHS Spending by Age

NHS expenditure per head according to age band average 1992-3	
Age bands	Amount (£)
Births	1,762
0 to 4	374
5 to 15	185
16 to 44	241
45 to 64	355
65 to 74	703
75 to 84	1,280
85 and over	2,261

NHS Spending on the Over 65s in Real Terms (£bn)



Cost of State Benefits for Seniors

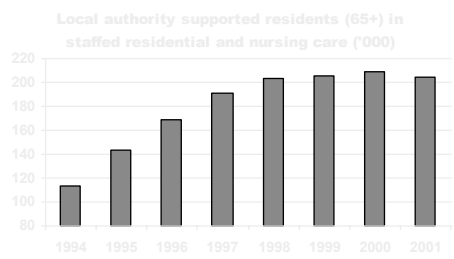


Living Arrangements of Seniors

Living arrangements by gender and age (%): 1996-7 (GB)

Sex and status	65-74	75-84	85+	All 65+
Men				
Living with:				
Spouse/partner	64	61	40	62
Spouse/partner/other(s)	11	5	3	9
Son/daughter	2	3	1	2
Sibling	1	1	1	1
Other	1	1	2	1
Living alone	21	30	52	26
All men	100	100	100	100
Women				
Living with:				
Spouse/partner	48	35	13	36
Spouse/partner/other(s)	5	4	1	4
Son/daughter	5	6	11	6
Sibling	2	1	1	1
Other	1	2	2	2
Living alone	40	36	71	40
All women	100	100	100	100

In Care Aged 65+



Health Care – A Cunning Plan...
Or a Holistic Approach?



Household Savings

Capital/Household type	Households (%) by amount of savings and composition (2001)							
	Households with children (%)			Households without children (%)				All
	1 adult	2 adults	3+ adults	1 male adult	1 female adult	2 adults	3+ adults	
No savings	67	28	29	34	32	18	17	29
Less than £1,500	22	27	25	22	22	20	23	23
£1,500 - £3,000	3	8	10	8	8	7	7	7
£3,000 - £8,000	4	15	14	14	15	15	16	14
£8,000 - £10,000	1	4	3	3	3	4	4	3
£10,000 - £16,000	1	6	6	6	6	8	9	6
£16,000 - £20,000	-	2	1	2	2	4	4	3
£20,000+	2	10	12	12	12	22	20	18

Household Savings

Capital/Family status	Households (%) by amount of savings and family status (2001)								
	Partner couple	Single male person	Single female person	Couple with children	Couple without children	Single with children	Single male without children	Single female without children	All
No savings	17	26	32	25	16	67	47	44	29
Less than £1,500	15	16	16	22	13	32	26	22	23
£1,500 - £3,000	6	8	9	8	8	9	8	7	7
£3,000 - £8,000	14	16	15	15	15	4	11	10	14
£8,000 - £10,000	2	4	3	4	4	1	3	3	3
£10,000 - £16,000	3	6	6	6	6	1	3	3	6
£16,000 - £20,000	4	3	2	2	3	-	1	1	3
£20,000+	31	18	14	11	13	1	5	4	18

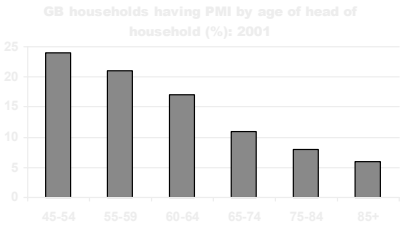
Households Covered

Households by insurance cover (%) and household composition (GB): 2001							
Cover	Households without children			Households without children			
	1 adult	2 adults	3+ adults	1 male adult	1 female adult	2 adults	3+ adults
Mortgage protection	9	30	25	14	7	16	17
Personal accident	5	17	13	11	5	14	15
Private medical	5	24	23	15	5	21	21
PIII	1	6	4	4	1	4	3
Family society schemes	1	2	2	1	1	2	2
Married home or LTC	0	-	-	-	-	-	-
Other sickness insurance	0	3	1	1	1	2	2
Redundancy cover	1	3	1	1	1	1	1

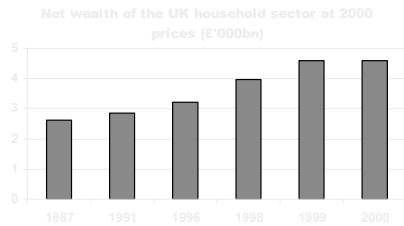
Households Covered

Households by insurance cover (%) and age of head (GB): 2001										
Coverage	16-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	Total	
Mortgage protection	14	30	28	25	13	7	2	1	0	17
Personal accident	5	14	15	16	15	12	8	4	2	12
Private medical	5	20	22	24	21	19	11	5	5	18
PIII	2	5	6	5	3	2	1	1	1	4
Family society schemes	1	1	2	3	3	2	2	1	-	2
Married home or LTC	0	-	-	-	-	-	-	-	-	-
Other sickness insurance	0	2	3	2	2	1	1	-	0	2
Redundancy cover	1	3	2	2	-	1	0	0	0	1

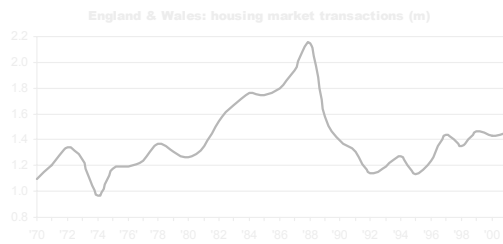
PMI Coverage by Household



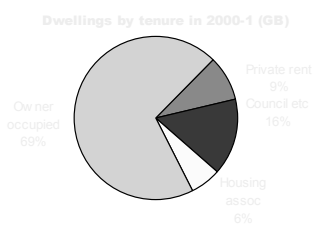
Net Household Wealth



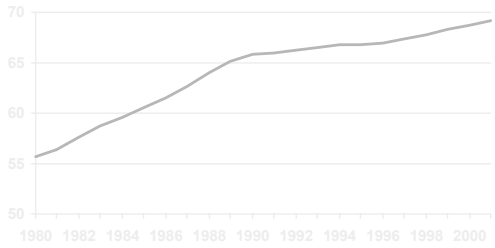
Housing Market Transactions (m)



Household Tenure



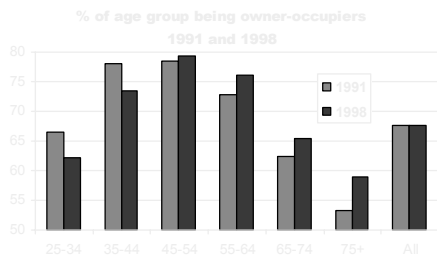
UK: Owner Occupied Households (%)



Owner Occupation by Age Group



Change in Owner Occupation



Summary

- Population is Getting Older
- Population is Getting Wealthier
 - NHS Specs
- Living Longer
- Pig-in-the-Python Baby Boom Bulge Presenting State Funding Problems
- State Cannot Cope
- Personal Provision – the £27bn Savings Gap?
- Role for Insurers?
 - More Attention Now Equity-Based Business Threatened
- Equity Release
- Holistic Approach

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